

Thulamela Municipality

Draft Financial Statements for the year ended June 30, 2014

General Information

Legal form of entity	Thulamela Municipality
Members of the Council	Mahosi Ndivhuwo Grace(Mayor) Baloyi Mafemani Erick (Speaker) Malindi Thilivhali Obrien(Chief Wip)
Exco Members	Ligege phophi vhengani Mbedzi thinawanga Netshilhefhe matodzi Ramela mulalo sylvia Madzunya edzisani Maholwana kutala Maluleke shadrack Mavikane xhlamariso
Councillors	Baloyi ndzunisani Chauke mkhacani Chavani phahlela joe Davhana azwifaneli Gundula thivhulawi Khosa tinyiko daphne Mabasa joseph Mabasa nirhandzu Madondo litsani Maduse livhuwani Mahlale mafemani Malada Maluleke langhani Mamushiana Mandiwana ntakadzeni esther Matchebela mafemani Mathambo rudzani Mathebula tinyiko Mavhunga naledzani Moyo mkhacani Muedi esther Mulaudzi khathushelo Mulaudzi matodzi Munyai mashudu Musisiyane nditsheni Mutheiwana fulufhelo Nemanzhe Nethonzhe rudzani Ramanala vhengani Ramatamba khombo Thabela thomani paul Tharaga maanda donald Thifulufhelwi Tshifhango Twala amelia zondi Madzunya edzisani Maluleke shadrack Mavikane xhlamariso

Thulamela Municipality Draft Annual
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Grading of local authority	Grade 4
Accounting Officer	Mathivha M.H 015 962 7589 mathivhamh@thulamela.gov.za
Chief Finance Officer (CFO)	Madzbie Mavis Azwianewi 015 962 7515 madzbiema@thulamela.gov.za
Province	Limpopo
Physical address	Old Agrieven building Thohoyandou 950
Postal address	Private bag X5066 Thohoyandou 950
Bankers	First National Bank

Auditors Auditor General South Africa
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Abbreviations

COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
SA GAAP	South African Statements of Generally Accepted Accounting Practice
GRAP	Generally Recognised Accounting Practice
GAMAP	Generally Accepted Municipal Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)

Responsibilities and Approval

I am responsible for the preparation of these annual financial statements, which are set out on pages 1 to 47, in terms of Section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality. I certify that the salaries, allowances and benefits of councilors, loans made to councilors, if any, and payments made to councilors for the loss of office, if any, as disclosed in note 28 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the remuneration of public officer Bearers Act and the minister of Provincial and Local Government's determination in accordance with this Act

Accounting Officer
Mathivha M.H

Statement of Financial Position

Figures in Rand	Note(s)	2014	2013
Assets			
Current Assets			
Inventories	5	48 606 624	55 187 302
Trade receivables (exchange transactions)	7	17 564 096	12 087 447
Trade receivables (non exchange transactions)	7	4 313 813	2 872 312
Traffic Fine Debtors	43	1 253 750	6 371 653
Other receivables	8	2 659 287	5 189 242
Vat receivables		34 274 009	30 051 060
Short-term portion of long-term debtors	4	463 493	729 034
Short term investments	10	102 554 832	-
Cash and cash equivalents	9	253 664 103	292 292 699
		465 354 006	404 780 748
Non-Current Assets			
Property, plant and equipment	2	1 050 730 174	952 677 549
Intangible assets	3	2 106 971	2 363 134
Long term debtors	4	185 048	477 485
		1 053 022 193	955 518 168
Total Assets		1 518 376 199	1 360 298 916
Liabilities			
Current Liabilities			
Short term loan	11	45 000 000	49 188 446
Finance lease obligation	12	1 021 700	1 248 539
Trade and other payables from exchange transactions	15	55 628 926	51 755 529
Rental Deposits	16	85 267	34 546
Unspent conditional grants and receipts	13	52 684 330	76 245 403
Provisions	14	329 754	442 207
		154 749 977	178 914 670
Non-Current Liabilities			
Finance lease obligation	12	129 606	1 150 237
Long term loan	11	15 893 358	
Provisions	14	16 865 458	15 001 067
		32 888 422	16 151 305
Total Liabilities		187 638 399	195 065 975
Net Assets		1 330 737 800	1 165 232 941
Accumulated surplus		1 330 737 801	1 165 232 941

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Statement of Financial Performance

Figures in Rand

		2014	2013
Revenue			
Property rates	18	35 148 268	35 024 960
Service charges	19	43 502 195	35 494 742
Rental of facilities and equipment	28	548 263	504 306
Interest on outstanding debtors	25	14 213 784	10 928 254
Fines		13 144 284	9 552 606
Licenses and permits		12 508 904	11 773 953
Government grants & subsidies	20	498 407 073	414 254 437
Reversal of provision for bad debts			919 576
Other revenue	21	18 147 862	19 506 563
Interest received - investment	25	15 662 844	10 443 610
Total Revenue		651 283 478	548 403 008

Expenditure

Employee related cost	23	172 720 726	143 227 232
Remuneration of councillors	24	22 163 725	20 411 699
Depreciation and amortisation	26	68 542 912	49 612 775
Finance costs	27	1 357 257	1 742 851
Collection costs		5 726 490	5 827 868
Repairs and maintenance		21 516 011	41 675 271
Contracted services	29	3 986 531	3 635 391
Provision for Bad debts		71 646 143	50 464 218
Inventory write down/Assets write off	2 & 5	4 270 584	807 001
General Expenses	22	113 848 238	205 653 126
Total Expenditure		485 778 617	523 057 430

Surplus for the year

		165 504 860	25 345 578
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Statement of Changes in Net Assets

	Accumulated surplus	Total net assets
Figures in Rand		
Opening balance as previously reported	1 119 675 067	1 119 675 067
Adjustments		
Prior year adjustments		-
Balance at June 30, 2014 as previously reported	1 119 675 067	1 119 675 067
Changes in net assets		
Surplus for the year	25 345 578	25 345 578
Opening balance as previously reported	1 145 020 645	1 145 020 645
Prior year adjustments (Note number 37)	14 969 931	14 969 931
Balance at July 01, 2013 as restated	1 165 232 941	0
Surplus for the year	165 504 860	165 504 860
Balance at June 30, 2014	1 330 737 801	165 504 860

Cash Flow Statement

Figures in Rand

Note(s)

2014

2013

Cash flows from operating activities

Receipts

Cash receipts from taxes, levies and fines
services charges
Grants
Interest income
Other receipts

46 851 051	43 664 044
52 239 329	40 564 916
474 846 000	435 648 794
15 662 844	10 443 610
29 562 755	107 677 375
619 161 981	637 998 738

Payments

Employee costs
Suppliers
Finance costs

(193 132 513)	(162 354 141)
(201 998 755)	(347 963 077)
(1 357 257)	(1 742 851)
(396 488 525)	(512 060 069)

Net cash flows from operating activities

30	222 673 456	125 938 669
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Cash flows from investing activities

Acquisition of fixed assets
Acquisition of intangible assets
Investment in fixed deposit

2	(166 924 127)	(81 520 783)
3	256 162	(104 037)
	-102 554 832	-

Net cash flows from investing activities

(269 222 796)	(81 624 820)
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Cash flows from financing activities

Proceeds from short term loan
Loan Repayments
Movement in long term debtors
Finance lease payments

11 704 912	40 975 400
557 977	1 547 478
(1 247 470)	878 702
11 015 419	43 401 580

Net cash flows from financing activities

Net increase/(decrease) in cash and cash equivalents

-35 533 921 87 715 429

Cash and cash equivalents at the beginning of the year

278 452 059 190 736 630

Cash and cash equivalents at the end of the year

9	242 918 138	278 452 059
	253 664 103	292 292 699

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Statement of comparison of budget to actual amounts for the year ended 30 June 2014

Description	2013/2014					Variance
	Original Budget	Budget Adjustments (i.e. s28 and s31 of the MFMA)	Final Budget	Actual amount on comparable basis		
R thousand						
Revenue By Source	R '000	R '000	R '000	R '000	R '000	
Property rates	32 000	3 325	35 325	35 148	177	1%
Service charges	38 100	5 600	43 700	43 502	198	0%
Rental of facilities and equipment	334	316	650	548	102	16% Note 39.2.1
Interest earned - external investments	9 800	4 800	14 600	15 663	(1 063)	-7%
Interest earned - outstanding debtors	10 203	2 997	13 200	14 214	(1 014)	-8%
Fines	3 153	(2 153)	1 000	6 904	(5 904)	-590% Note 39.2.2
Licenses and permits	13 663	(1 463)	12 200	12 509	(309)	-3%
Transfers recognised	468 003	30 442	498 445	498 407	38	0%
Other revenue	65 470	55 521	120 991	114 318	6 673	6%
Total Revenue	640 726	99 385	740 111	741 213	(1 102)	
Expenditure By Type						
Employee related costs	163 327	13 123	176 450	172 721	3 729	2%
Remuneration of councilors	22 699	(558)	22 141	22 164	(23)	0%
Debt impairment	43 460	540	44 000	71 646	(27 646)	-63% Note 39.2.3
Depreciation & asset impairment	39 312	4 688	44 000	68 543	(24 543)	-56% Note 39.2.4
Finance charges	2 000	-	2 000	1 357	643	32% Note 39.2.5
Contracted services	600	3 944	4 544	3 987	557	12% Note 39.2.6
Other expenditure	178 802	46 768	225 570	141 091	84 479	37% Note 39.2.7
Total Expenditure	450 200 000	68 505	518 705	481 508	37 197	
Surplus/(Deficit) for the year	190 526 000	30 880	221 406	259 705	(38 299)	

Explanation on material differences which is 10%
between final budget and actual are disclosed in
note 39

Accounting Policies

1.1 BASIS OF ACCOUNTING

1.1.1 BASIS OF PREPARATION

These annual financial statements have been prepared in accordance with Standards of General Recognised Accounting Practice (GRAP) issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act, Act No 56.

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise.

The principle accounting policies adopted in the preparation of these annual Financial Statement are set out below.

Asset, Liabilities, Revenue and Expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP.

The accounting policies applied are consistent with those used to present the previous year's financial statement, unless explicitly stated otherwise. The details of any changes in accounting policies are explained in the note.

1.1.2 PRESENTATION CURRENCY

These Annual Financial Statement are presented in South Africa Rand, which is the functional currency of the Municipality

GOING CONCERN ASSUMPTION

1.1.3

These Annual Financial Statements have been prepared on the assumption that the municipality will continue to operate as a going concern for the foreseeable future. Prior period errors are detailed on the notes to the financial statements

1.1.4 COMPARATIVE INFORMATION

When the presentation or classification of items in the financial statements is amended, comparative amounts are reclassified, unless the reclassification is impracticable. When comparative amounts are reclassified, the following is disclosed:

- (a) the nature of the reclassification;
- (b) the amount of each item or class of items that is reclassified; and
- (c) the reason for the reclassification.

When it is impracticable to reclassify comparative amounts, the following is disclosed:

- (a) the reason for not reclassifying the amounts; and
- (b) the nature of the adjustments that would have been made if the amounts had been reclassified.

Where material accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly, where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly

1.1.5 GRAP STANDARDS EFFECTIVE AND ADOPTED DURING THE YEAR

The following GRAP standards has been effective and adopted during the year:

GRAP 21 Impairment of Non-cash- generating Assets
GRAP 23 Revenue from Non-exchange Transactions (Taxes and Transfers)
GRAP 24 Presentation of Budget information in the financial statements
GRAP 26 Impairment of Cash - Generating Assets
GRAP 104 Financial Instruments

1.1.6 STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

The following GRAP standards have been issued but are not effective

GRAP 18 Segment Reporting (2011)
GRAP 20 Related party
GRAP 105 Transfer of functions between entities under common control
GRAP 106 Transfer of function between entities not under common control
GRAP 107 Mergers

1.1.6 EFFECTIVE STANDARDS NOT YET ADOPTED

GRAP 25 Employee benefits has not been early adopted by the municipality

1.2 PROPERTY, PLANT AND EQUIPMENT

1.2.1 INITIAL RECOGNITION AND MEASUREMENT

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year. Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded at cost. The cost of an item of property, plant and equipment is the purchase price and other costs directly attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value. If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

The cost of an item of property, plant and equipment shall be recognised as an asset if, and only if:

- (a) it is probable that future economic benefits or service potential associated with the item will flow to the entity, and
- (b) the cost or fair value of the item can be measured reliably.

Major spare parts and stand by equipment which are expected to be used for more than one period are included in property, plant and equipment. In addition, spare parts and stand by equipment which can only be used in connection with an item of property, plant and equipment are accounted for as property, plant and equipment.

1.2.2 SUBSEQUENT MEASUREMENT -REVALUATION MODEL (LAND)

Subsequent to initial recognition, land is carried at a revalued amount in terms of valuation roll which is done every five years unless the validity of the valuation roll is extended by the MEC of COGSTA, the extended valuation roll will be used.

If the carrying amount of an asset is increased as a result of a revaluation, the increase shall be credited directly to a revaluation surplus. However, the increase shall be recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

If the carrying amount of an asset is decreased as a result of a revaluation, the decrease shall be recognised in surplus or deficit. However, the decrease shall be debited directly in net assets to the extent of any credit balance existing in the revaluation surplus in respect of that asset. The decrease recognised directly in net assets reduces the amount accumulated in net assets under the heading revaluation surplus.

1.2.3 SUBSEQUENT MEASUREMENT- COST MODEL

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component. Subsequent expenditure incurred on an asset is capitalised when it meets the recognition criteria of Property, Plant and equipment.

1.2.4 DEPRECIATION AND IMPAIRMENT

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. Land is not depreciated as it is deemed to have an indefinite useful life. The depreciation rates are based on the following estimated average asset useful lives:

Item	Average useful life
Finance lease assets	
Office equipment(term of the lease)	3-5 Years
Other Assets (term of the lease)	3-5 Years
Infrastructure	
Roads and Paving	10- 40 Years
Pedestrian Malls	20 Years
Electricity	20-30 Years
Water	15-20 Years
Sewerage	15-20 Years
Security measures	3-15 Years

Community

Buildings & other assets	30 Years
Recreational Facilities	20 Years

Other property, plant and equipment

Buildings	30 Years
Plant and equipment	5-20 Years
Motor vehicles	6-20 years
Office equipment	8-20 years
Furniture and fittings	13-16 years
Bins and containers	8-15 years
Emergency equipment	5-15 years

The residual value and the useful life of an asset shall be reviewed at least at each reporting date and, if expectations differ from previous estimates, the change(s) shall be accounted for as a change in an accounting estimate in accordance with the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors.

Reviewing the useful life of an asset on an annual basis does not require the entity to amend the previous estimate unless expectations differ from the previous estimate.

The municipality tests for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of property, plant and equipment is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

1.2.5 DERECOGNITION

Items of Property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance..

1.3 Intangible assets

1.3.1 INITIAL RECOGNITION AND MEASUREMENT

An intangible asset is an identifiable non-monetary asset without physical substance. Examples include computer software, licenses, and development costs. The municipality recognised an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality and the cost or fair value of the asset can be measured reliably.

*Internally generated intangible assets are subject to strict recognition criteria before they are capitalised. Research expenditure is never capitalised, while development expenditure is only capitalised to the extent that:

- the municipality intends to complete the intangible asset for use or sale;
 - it is technically feasible to complete the intangible asset;
 - the municipality has the resources to complete the project; and
 - it is probable that the municipality will receive future economic benefits or service potential.
- Intangible assets are initially recognised at cost.

An intangible asset acquired at no or nominal cost, the cost is deemed to be equal to its fair value as at the date of acquisition.

Where an intangible asset is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

SUBSEQUENT MEASUREMENT - COST

1.3.2 MODEL

Intangible assets are subsequently carried at cost less accumulated amortisation and impairments. The cost of an intangible asset is amortised over the useful life where that useful life is finite. Where the useful life is indefinite, the asset is not amortised but is subject to an annual impairment test.

1.3.3 AMORTISATION AND IMPAIRMENT

Amortisation is charged so as to write off the cost or valuation of intangible assets over their estimated useful lives using the straight line method.
The annual amortisation rates are based on the following estimated average asset lives:

The estimated useful life of intangible assets is 3 - 5 Years

The amortisation period, residual values and the amortisation method for an intangible asset with a finite useful life are reviewed at each reporting date and any changes are recognised as a change in accounting estimate in the Statement of Financial Performance.

The municipality tests intangible assets with finite useful lives for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of an intangible asset is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

1.3.4 DERECOGNITION

Intangible assets are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1.4 Financial instruments

1.4.1 Initial recognition and Measurement

An entity shall recognise a financial asset or a financial liability in its statement of financial position when, and only when, the entity becomes a party to the contractual provisions of the instrument.

An entity recognises financial assets using trade date accounting.

When a financial asset or financial liability is recognised initially, an entity shall measure it at its fair value plus, in the case of a financial asset or a financial liability not subsequently measured at fair value, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

1.4.2 Subsequent measurement

An entity shall measure all financial assets and financial liabilities after initial recognition using the following categories defined in paragraph .14:

- (a) Financial instruments at fair value
- (b) Financial instruments at amortised cost
- (c) Financial instruments at cost.

All financial assets measured at amortised cost, or cost, are subject to an impairment review.

1.4.3 Derecognition

An entity shall derecognise a financial asset only when:

- (a) the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- (b) the entity transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- (c) the entity, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the entity shall:
 - (i) derecognise the asset; and
 - (ii) recognise separately any rights and obligations created or retained in the transfer.

The carrying amounts of the transferred asset shall be allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. Newly created rights and obligations shall be measured at their fair values at that date. Any difference between the consideration received and the amounts recognised and derecognised in accordance with this paragraph shall be recognised in surplus or deficit in the period of the transfer.

An entity shall remove a financial liability (or a part of a financial liability) from its statement of financial position when, and only when, it is extinguished — i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived

1.4.4 Gains/Losses

A gain or loss arising from a change in the fair value of a financial asset or financial liability measured at fair value shall be recognised in surplus or deficit.

For financial assets and financial liabilities measured at amortised cost or cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, or through the amortisation process.

1.4.5 Impairment of Financial Instruments

Financial assets are assessed at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset shall be reduced either directly or through the use of an allowance account. The amount of the loss shall be recognised in surplus or deficit.

1.4.6 Offsetting

A financial asset and a financial liability shall be offset and the net amount presented in the statement of financial position when, and only when, an entity:

(a) currently has a legally enforceable right to set off the recognised amounts; and

(b) intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

In accounting for a transfer of a financial asset that does not qualify for derecognition, the entity shall not offset the transferred asset and the associated liability

1.5 Leases

1.5.1 Finance leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

Initial Recognition and Measurement

At the commencement of the lease term, lessees shall recognise assets acquired under finance leases as assets and the associated lease obligations as liabilities in their statement of financial position. The assets and liabilities shall be recognised at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments, each determined at the inception of the lease. The discount rate to be used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease, if this is practicable to determine; if not, the lessee's incremental borrowing rate shall be used. Any initial direct costs of the lessee are added to the amount recognised as an asset.

Subsequent Measurement

Minimum lease payments shall be apportioned between the finance charge and the reduction of the outstanding liability. The finance charge shall be allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent rents shall be charged as expenses in the periods in which they are incurred.

1.5.2 Operating leases

Lease payments under an operating lease shall be recognised as an expense in the statement of financial performance on a straight-line basis over the lease term unless another systematic basis is more representative of the time pattern of the user's benefit.

1.5.1 Municipality as lessee

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the municipality. Property, plant and equipment or intangible assets subject to finance lease agreements are initially recognised at the lower of the asset's fair value and the present value of the minimum lease payments. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant, equipment or intangibles. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to de-recognition of financial instruments are applied to lease payables. The lease asset is depreciated over the shorter of the asset's useful life or the lease term. Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are accrued on a straight-line basis over the term of the relevant lease.

Lease payments under an operating lease shall be recognised as an expense in the statement of financial performance on a straight-line basis over the lease term unless another systematic basis is more representative of the time pattern of the user's benefit.

1.5.2 Municipality as lessor

Under a finance lease, the municipality recognises the lease payments to be received in terms of a lease agreement as an asset (receivable). The receivable is calculated as the sum of all the minimum lease payments to be received, plus any unguaranteed residual accruing to the municipality, discounted at the interest rate implicit in the lease. The receivable is reduced by the capital portion of the lease instalments received, with the interest portion being recognised as interest revenue on a time proportionate basis. The accounting policies relating to de-recognition and impairment of financial instruments are applied to lease receivables.

Lease revenue from operating leases shall be recognised as revenue on a straight-line basis over the lease term, unless another systematic basis is more representative of the time pattern in which benefit derived from the leased asset is diminished.

1.6 Inventories

1.6.1 INITIAL RECOGNITION

Inventories comprise current assets held for sale, consumption or distribution during the ordinary course of business. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus taxes, transport costs and any other costs in bringing the inventories to their current location and condition. Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

Where inventory is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired.

In general, the basis of allocating cost to inventory items is the weighted average method.

1.6.2 SUBSEQUENT MEASUREMENT

Inventories, consisting of consumable stores, are valued at the lower of cost and net realisable value unless they are to be distributed at no or nominal charge, in which case they are measured at the lower of cost and current replacement cost. Redundant and slow-moving inventories are identified and written down in this way. Differences arising on the valuation of inventory are recognised in the Statement of Financial Performance in the year in which they arose. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1.6.3 Derecognition

The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

1.7 Impairment of assets

A non-cash-generating asset is impaired when the carrying amount of the asset exceeds its recoverable service amount.

1.7.1 Recognition and measurement

If, and only if, the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset shall be reduced to its recoverable service amount. That reduction is an impairment loss.

An impairment loss shall be recognised immediately in surplus or deficit, unless the asset is carried at a revalued amount in accordance with another Standard of GRAP (for example, in accordance with the revaluation model in the Standard of GRAP on Property, Plant and Equipment). Any impairment loss of a revalued asset shall be treated as a revaluation decrease in accordance with that Standard of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the asset shall be adjusted in future periods to allocate the asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

1.7.2 Reversal of Impairment loss

An entity shall assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for an asset may no longer exist or may have decreased. If any such indication exists, the entity shall estimate the recoverable service amount of that asset.

A reversal of an impairment loss for an asset shall be recognised immediately in surplus or deficit unless the asset is carried at a revalued amount in accordance with another Standard of GRAP (for example, the revaluation model in the Standard of GRAP on Property, Plant and Equipment). Any reversal of an impairment loss of a revalued asset shall be treated as a revaluation increase in accordance with that other Standard of GRAP.

1.7.3 Redesignation of assets

The redesignation of assets from a cash-generating asset to a non-cash generating asset or from a non-cash-generating asset to a cash-generating asset shall only occur when there is clear evidence that such a redesignation is appropriate. A redesignation, by itself, does not necessarily trigger an impairment test or a reversal of an impairment loss.

1.8 Provisions

Provisions are recognised when the municipality has a present or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting date and adjusted to reflect the current best estimate of the expenditure expected to be required to settle the present obligation at the reporting period. Where the effect is material, non-current provisions are discounted to their present value using a pre-tax discount rate that reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability.

The municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is disclosed where an inflow of economic benefits is probable.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.

A provision for restructuring costs is recognised only when the following criteria over and above the recognition criteria of a provision have been met: (a) The municipality has a detailed formal plan for the restructuring identifying at least: - the business or part of a business concerned; - the principal locations affected; - the location, function, and approximate number of employees who will be compensated for terminating their services; - the expenditures that will be undertaken; and - when the plan will be implemented; and

(b) The municipality has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

1.9 REVENUE

1.9.1 Revenue from exchange transactions

Revenue shall be measured at the fair value of the consideration received

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction shall be recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied: (a) The amount of revenue can be measured reliably. (a) It is probable that the economic benefits or service potential associated with the transaction will flow to the entity. (c) The stage of completion of the transaction at the reporting date can be measured reliably. (d) The costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

Revenue from exchange transactions refers to revenue that accrued to the municipality directly in return for services rendered / goods sold, the value of which approximates the consideration received or receivable. Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property. Tariffs are determined per category of property usage, and are levied monthly based on the recorded number of refuse containers per property.

Revenue from the rental/hiring of facilities and equipment is recognised as revenue once the booking and payment has been made.

Sale of goods

Revenue from the sale of goods shall be recognised when all the following conditions have been satisfied: (a) The entity has transferred to the purchaser the significant risks and rewards of ownership of the goods. (b) The entity retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold. (c) The amount of revenue can be measured reliably. (d) It is probable that the economic benefits or service potential associated with the transaction will flow to the entity. (e) The costs incurred or to be incurred in respect of the transaction can be measured reliably.

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant gazetted tariff. This includes the issuing of licences and permits. Revenue from the sale of goods is recognised when substantially all the risks and rewards in those goods is passed to the consumer. Revenue arising out of situations where the municipality acts as an agent on behalf of another entity (the principal) is limited to the amount of any fee or commission payable to the municipality as compensation for executing the agreed services.

Interest, royalties and dividends or similar distributions

Royalties and dividends or similar distributions shall be recognised when: (a) it is probable that the economic benefits or service potential associated with the transaction will flow to the entity; and (b) the amount of the revenue can be measured reliably. Revenue shall be recognised using the following accounting treatments: (a) Interest shall be recognised using the effective interest rate method set out in the Standard of GRAP on Financial Instruments. (b) Royalties shall be recognised as they are earned in accordance with the substance of the relevant agreement. (c) Dividends or similar distributions shall be recognised when the owner's right to receive payment is established.

Interest revenue is recognised on a time proportion basis.

1.9.2 Revenue from non-exchange transactions

Revenue from non-exchange transactions refers to transactions where the municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount. Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportionate basis.

Fines constitute both spot fines and summonses. Revenue from spot fines and summonses is recognised when payment is received. Revenue from public contributions and donations is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment qualifies for recognition and first becomes available for use by the municipality.

Where public contributions have been received but the municipality has not met the related conditions, a deferred income (liability) is recognised. Contributed property, plant and equipment is recognised when such items of property, plant and equipment qualifies for recognition and become available for use by the municipality. Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No.56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

1.9.3 Grants, transfer and donations

Grants, transfers and donations received or receivable are recognised when the resources that have been transferred meet the criteria for recognition as an asset. A corresponding liability is raised to the extent that the grant, transfer or donation is conditional. The liability is transferred to revenue as and when the conditions attached to the grant are met. Grants without any conditions attached are recognised as revenue when the asset is recognised.

1.10 Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets are capitalised to the cost of that asset unless it is inappropriate to do so. The municipality ceases the capitalisation of borrowing costs when substantially all the activities to prepare the asset for its intended use or sale are complete. It is considered inappropriate to capitalise borrowing costs where the link between the funds borrowed and the capital asset acquired cannot be adequately established. Borrowing costs incurred other than on qualifying assets are recognised as an expense in surplus or deficit when incurred.

1.11 Unauthorised Expenditure

Unauthorised expenditure is expenditure that has been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No 56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.12 Fruitless and wasteful expenditure

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance .

1.13 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the municipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.14 Employee Benefits

1.14.1 Short-term employee benefits

Short-term employee benefits include items such as:

(a) wages, salaries and social security contributions;

(b) short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service

Recognition and measurement

When an employee has rendered service to an entity during a reporting period, the entity shall recognise the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

(a) as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, an entity shall recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and

(b) as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset

Bonus, incentive and performance related payments

An entity shall recognise the expected cost of bonus, incentive and performance related payments when, and only when:

(a) the entity has a present legal or constructive obligation to make such payments as a result of past events; and

(b) a reliable estimate of the obligation can be made.

1.14.2 Post-employment benefits: Defined contribution plans

Post-employment benefit plans are classified as either defined contribution plans or defined benefit plans, depending on the economic substance of the plan as derived from its principal terms and conditions. In order to be classified as a defined contribution plan a post-employment benefit plan must require the entity to pay fixed contributions into a separate entity.

Recognition and measurement

When an employee has rendered service to an entity during a reporting period, the entity shall recognise the contribution payable to a defined contribution plan in exchange for that service:

(a) as a liability (accrued expense), after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the reporting date, an entity shall recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and

(b) as an expense, unless another Standard requires or permits the inclusion of the contribution in the cost of an asset.

Where contributions to a defined contribution plan do not fall due wholly within twelve months after the end of the reporting period in which the employees render the related service, they shall be discounted using the discount rate specified.

1.14.3 Other long-term employee benefits

Other long-term employee benefits may include, for example:

- (a) long-term compensated absences such as long service or sabbatical leave;
- (b) other long service benefits;
- (c) long-term disability benefits;
- (d) bonus, incentive and performance related payments payable twelve months or more after the end of the reporting period in which the employees render the related service;
- (e) deferred compensation paid twelve months or more after the end of the reporting period in which it is earned; and
- (f) compensation payable by the entity until an individual enters new employment.

The measurement of other long-term employee benefits is not usually subject to the same degree of uncertainty as the measurement of post-employment benefits. This Standard includes a rebuttable presumption that long-term disability payments are not usually subject to the same degree of uncertainty as the measurement of post-employment benefits. Where this presumption is rebutted the municipality considers whether some or all long-term disability payments should be accounted for.

Recognition and measurement

The amount recognised as a liability for other long-term employee benefits shall be the net total of the following amounts:

- (a) the present value of the defined benefit obligation at the reporting date
- (b) minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly

1.15 Related parties

An entity shall disclose:

- (a) The aggregate remuneration of key management personnel and the number of individuals, determined on a full-time equivalent basis, receiving remuneration within this category, showing separately major classes of key management personnel and including a description of each class;
- (b) The total amount of all other remuneration and compensation provided to key management personnel, and close members of the family of key management personnel, by the reporting entity

1.16 Presentation of Budget information

presentation of a comparison of the budget amounts for which it is held publicly accountable and actual amounts is presented as a separate additional financial statement. The comparison of budget and actual amounts is presented separately for each level of legislative oversight:

- (a) the approved and final budget amounts;
- (b) the actual amounts on a comparable basis; and
- (c) by way of note disclosure, an explanation of material differences between the budget for which the entity is held publicly accountable and actual amounts, unless such explanation is included in other public documents issued in conjunction with the financial statements, and a cross reference to those documents is made in the notes.

1.17 Contingent Liabilities

A contingent liability is: (a) a possible obligation that arises from past events, and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity; or (b) a present obligation that arises from past events but is not recognised because: (i) it is not probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; or (ii) the amount of the obligation cannot be measured with sufficient reliability.

1.18 Commitments

Commitment is the amount that has been committed but not yet incurred. It is the difference between the contracted amount and the actual expenditure as at year end. This amount is disclosed on the Notes to the Annual Financial Statement

1.19 Long term debtors

Long term debtors are debtors that are receivable for a period exceeding 12 months from year end. These debtors arise from the payment agreement between the customer and the Municipality.

1.20 Events after Balance Sheet date

Events after the reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified: (a) those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and (b) those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

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Note 2 Property, Plant and Equipment

	Community Assets	Finance lease	Furniture	Infrastructure	IT Equipment	Buildings	Land	Machinery Plant & Equ
	127 212 194	1 189 729.44	4 387 524.85	462 416 860.07	4 559 343.10	30 306 383.80	314 957 555.00	261 506.56
Cost/Revaluation	142 853 755	1 642 815	6 228 474	600 106 430	5 488 770	42 342 161	314 957 555	466 513
Accumulated	(15 641 561)	(453 086)	(1 840 949)	(137 689 570)	(929 427)	(12 035 777)	-	(205 006)
Additions	8 335 914	-	1 139 215.78	144 429 232.02	2 436 743.73	197 390.00	-	355 689.39
Depreciation	(2 133 135)	(487 722.06)	(368 445.61)	(25 697 938.42)	(334 895.86)	(1 296 082.52)	0	(44 568.80)
Carrying am	-	44 748	162 564	-	112 246	-	-	-
Cost/revaluation	71 426.74	-	220 815.18	-	143 147.73	-	-	-
Accumulated	-	(26 679.03)	(58 250.92)	-	(30 902.19)	-	-	-
Carrying am	133 414 973	657 259.67	4 995 730.76	581 148 153.67	6 548 945.43	29 207 691.28	314 957 555.00	572 627.15
Cost/Revaluation	151 189 669	1 571 388	7 146 875	744 535 662	7 782 366	42 539 551	314 957 555	822 202
Accumulated	(17 774 696)	(914 129)	(2 151 144)	(163 387 508)	(1 233 421)	(13 331 859)	-	(249 575)

	Community Assets	Finance lease	Furniture	Infrastructure Assets	IT Equipment	Buildings	Land	Machinery Plant & Equipment
	106 332 241	1 235 708.82	4 123 434.57	425 382 747.08	2 835 035.15	31 717 789.15	314 957 555.00	298 294.28
Cost/Revaluation	119 116 011	2 615 778.00	4 495 852.70	544 296 153.96	3 413 996.00	29 164 460.53	314 957 555.00	349 591.03
Correction of	(6 383 911)	-	1 140 664.04	(8 493 151.52)	115 837.81	13 177 700.00	-	105 612.10
Transfers bet	(192 702)	-	-	192 702.15	(12 809.40)	-	-	12 809.40
Transfers bet	7 115 179	-	1 200.00	(7 116 378.51)	-	-	-	-
Transfers bet	1 201	-	(1 200.55)	-	-	-	-	-
Accumulated	(12 540 259)	(1 366 883.07)	(1 805 365.20)	(103 496 579.00)	(1 034 046.10)	(5 585 924.70)	-	(173 894.70)
Correction of	(783 276)	(13 186.11)	292 283.58	-	352 056.84	(5 038 446.68)	-	4 176.45
WIP	23 199 178	-	-	52 289 485.48	-	-	-	-
Additions	-	1 642 815.02	650 052.20	18 937 618.05	2 037 606.69	-	-	-
Depreciation	(2 319 226)	(976 242.40)	(359 715.93)	(34 192 990.54)	(282 984.73)	(1 411 405.35)	-	(36 412.72)
Carrying am	-	712 552.00	26 246.00	-	30 314.00	-	-	375.00
Cost/revaluation	-	2 615 778.00	59 295.00	-	65 861.00	-	-	1 500.00
Accumulated Depreciation	-	(1 903 226.00)	(33 049.00)	-	(35 547.00)	-	-	(1 125.00)
Carrying am	127 212 194	1 189 729.44	4 387 524.85	462 416 860.07	4 559 343.10	30 306 383.80	314 957 555.00	261 506.56
Cost/Revaluation	142 853 755	1 642 815.02	6 228 473.94	600 106 429.61	5 488 770.10	42 342 160.53	314 957 555.00	466 512.53
Accumulated	(15 641 561)	(453 085.58)	(1 840 949.10)	(137 689 569.54)	(929 426.99)	(12 035 776.73)	-	(205 005.97)

No assets were pledged as security

The last valuation for the land was done in 2009. This valuation was done by the professional valuer. The assumptions used to determine the values was with reference to the market values. Revaluation of land is done every 5 years.

The useful lives, impairment and residual values of all the assets were reviewed and assessed at year end.

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Office Equipment	Vehicles	Grand Total
836 959.46	38 024 987.46	984 153 043.86
1 057 576 (220 617)	56 575 525 (18 550 538)	1 171 719 573 (187 566 529)
1 121 065.92 (107 937.56)	5 332 994.86 (3 247 962.26)	163 348 245.75 (33 718 688.33)
9 033	-	328 590
13 768.00 (4 735.31)	- -	449 157.65 (120 567.45)
1 841 055.13	40 110 020.06	1 113 454 011.08
2 164 874 (323 819)	61 908 520 (21 798 500)	1 334 618 661 (221 164 650)

Office Equipment	Vehicles	Grand Total
397 701.63	33 971 260.04	921 251 767.07
476 156.01 84 998.12	44 422 463.00 5 124 397.15	1 063 308 017.18 4 872 146.70
		-
		-
		0.00
(226 031.43) 62 578.92	(17 703 039.89) 2 127 439.78	(143 932 023.13) (2 996 373.68)
		75 488 663.83
501 449.04 (60 934.22)	7 028 665.07 (2 974 937.65)	30 798 206.07 (42 614 849.11)
1 257.00	-	770 744.00
5 027.00 (3 770.00)		2 747 461.00 (1 976 717.00)
836 959.46	38 024 987.46	984 153 043.86
1 057 576.18 (220 616.72)	56 575 525.22 (18 550 537.76)	1 171 719 572.78 (187 566 528.92)

Note 3 Intangible assets

Reconciliation of carrying value

Carrying amount as at 01 July 2013

Cost
Accumulated amortisation and impairment losses

Computer Software R	Total R
2 363 133	2 363 133
4 362 265	4 362 265
(1 999 133)	(1 999 133)

Acquisitions
Amortisation

36 864.00	36 864.00
-268 475.68	-268 475.68

Carrying amount as at 01 June 2014

Cost
Accumulated amortisation and impairment losses

2 131 521	2 131 521
4 399 129	4 399 129
(2 267 608)	(2 267 608)

Reconciliation of carrying value

as at 01 July 2012

Cost
Correction of prior year error(Note 36)
Accumulated amortisation and impairment losses

Computer Software R	Total R
2 547 615	2 547 615
4 258 229	4 258 229
1 832 971	1 832 971
(3 543 585)	(3 543 585)

Acquisitions
Amortisation

104 036.40	104 036.40
-288 518.49	-288 518.49

as at 30 June 2013

Cost
Accumulated amortisation and impairment losses

2 363 133	2 363 133
4 362 265	4 362 265
(1 999 133)	(1 999 133)

No intangible asset was pledged as security

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	2014	2013
Long term debtors from exchange		
Note 4 transactions		
Debtors Agreements	676 775	1 206 519
LESS: Provision for bad debts	(28 234)	-
	648 541	1 206 519
Less: short term portion	(463 493)	(729 034)
Non current portion	185 048	477 485
Reconciliation of provision for bad debts on agreements		
Opening	-	-919 576
Contribution reversal	(28 234)	-
	-	919 576
Closing	(28 234)	-

The long term debtors are as a result of arrangement made between the consumer debtors and the municipality to settle their account.
An assessment was performed on the individual debtors and no debt appeared to be impaired.

Note 5 Inventories

Consumable stores	926 974	700 531
Unsold Sites	47 679 651	49 244 400
	48 606 624	49 944 931

INVENTORY

Opening balance of consumables stores	700 531	853 375
Opening balance of Unsold sites	10 070 060	10 598 059
Total opening balance of inventories	10 770 591	11 451 434

Additions

Consumable stores	2 970 115	2 184 856
Total additions	2 970 115	2 184 856

Recognised as an expense

Consumable stores	-2 736 191	-2 301 443
Site Solds	-478 792	-527 998
Inventory write off	-7 481	-36 258
Total issued/(Sold)	-3 222 465	-2 865 698

Closing balance of consumable stores	926 974	700 531
Closing balance of unsold sites	9 591 268	10 070 060
Total closing balance of inventories	10 518 241	10 770 591

No inventory was pledged as security.

Note 6 Consumer Debtors

Service debtors	277 989 471	213 169 749
Provision for Bad Debts	(256 111 562)	(198 209 989)
	21 877 909	14 959 759

The detail age analysis is in note 7

Note 7 Consumer debtors

Analysis of financial assets that are determined
to be impaired as at the end of the reporting
Note 7.1 period.

Rates		
Current (0 -30 days)	2 761 820	3 077 515
31 - 60 days	2 458 618	1 864 780
61 - 90 days	1 712 742	1 349 178
91 - 120 days	1 617 997	1 291 813
121 days +	46 261 863	33 345 859
	54 813 040	40 929 143

Refuse		
Current (0 -30 days)	2 247 088	513 126
31 - 60 days	955 326	480 070
61 - 90 days	904 768	432 257
91 - 120 days	871 600	414 075
121 days +	18 068 936	9 065 392
	23 047 717	10 904 919

Other		
Current (0 -30 days)	5 048 418	4 403 913
31 - 60 days	5 132 345	4 187 666
61 - 90 days	4 685 778	4 572 098
91 - 120 days	4 432 864	4 689 900
121 - 365 days	180 829 307	143 482 108
	200 128 713	161 335 686

**Summary of debtors by customer
classification**

	2014	2013
Consumers		
Current (0 -30 days)	10 057 326	7 994 554
31 - 60 days	8 546 289	6 532 516
61 - 90 days	7 303 287	6 353 533
91 - 120 days	6 922 461	6 395 787
121 - 365 days	245 160 107	185 893 358
	277 989 471	213 169 748

No Trade receivables at the end of the reporting
date were not impaired

Reconciliation of the doubtful debt provision

Balance at beginning of the year	198 209 989	163 628 106
Contributions to provision	62 454 256	41 857 880
Doubtful debts written off against provision	(4 552 683)	(15 882 334)
Correction of prior year error		8 606 338
Balance at end of year	256 111 562	198 209 989

Receivables from non- exchange

Note 7.2 transactions

2014 Total	Provision for bad debts	Carrying Amount
Property Rates	54 813 040	(50 499 227)
	54 813 040	(50 499 227)
		4 313 813

2013 Total	Provision for bad debts	Carrying Amount
Property Rates	40 929 143	(38 056 831)
	40 929 143	(38 056 831)
		2 872 312

**Receivables from exchange transactions
Note 7.3**

Total	Provision for bad debts	Carrying Amount
2014		
Refuse Removal	23 047 717	(21 233 850.65)
Other	200 128 713	(184 378 484.22)
	223 176 430	(205 612 334.87)
		17 564 095.54
2013		
General services	10 904 919	(10 139 637.40)
Other	161 335 686	(150 013 521.10)
	172 240 605	(160 153 158.50)
		12 087 446.52

Other receivables from non exchange

Note 8 transactions

VDM Debtor	893 351	3 522 218
R/D Cheques	62 082	56 625
Other debtors	1 703 854	1 610 398
	2 659 287	5 189 242

Note 9 Cash and cash equivalents

Cash and cash equivalents consist of:

Bank balances	(14 842 078)	19 247 533
Money Market	1 164 640	1 123 475
Call deposits	267 341 540	271 921 691
	253 664 103	292 292 699

Current assets	268 506 181	292 292 699
Current liabilities	(14 842 078)	
	253 664 103	292 292 699

Bank Guarantee	850 000	850 000
post office the amount will be paid over to post office by the bank.		

Cash and cash equivalents pledged as collateral

The money market account has been pledged as collateral for the loan	-	1 085 645
Terms and conditions		
The DBSA shall be entitled , at any time if Thulamela Municipality has breached		

The municipality had the following bank accounts

Account number / description	30-Jun-14	30-Jun-13	30-Jun-12
FNB BANK - Account Type - CHEQUE- 54660078973	7 512 172	30 787 477	46 725 900
FNB BANK - Account Type - CALL- 62090588016	124 129 252	154 387 764	129 696 195
FNB BANK - Account Type - CALL- 62090588793	143 212 289	117 533 926	36 011 588
FNB BANK - Account Type - MONEY MARKET- 62336900320	1 164 640	1 123 475	1 085 645
Total	276 018 353	303 832 642	213 519 328

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Account number / description	Cash book balances		
	30-Jun-14	30-Jun-13	30-Jun-12
FNB BANK - Account Type - CHEQUE-54660078973	(14 842 078)	19 247 533	23 943 201
FNB BANK - Account Type - CALL-62090588016	124 129 252	154 387 764	129 696 195
FNB BANK - Account Type - CALL-62090588793	143 212 289	117 533 927	36 011 588
FNB BANK - Account Type - MONEY MARKET-62336900320	1 164 640	1 123 475	1 085 645
Total	253 664 103	292 292 699	190 736 629

Note 10 INVESTMENTS	30-Jun-14	30-Jun-13
Financial instruments		
Fixed deposits	<u>102 554 832</u>	<u>0</u>

Fixed deposits amounting to R 100million has been invested with Nedbank , FNB, and Investec bank and each received R30million, R40million and R30million respectively for a period of six months

Note 11 Short term loan

Current liabilities

Bank loan (DBSA)	60 893 358	49 188 446
Current portion	<u>(45 000 000)</u>	<u>(49 188 446)</u>
Non current portion	<u>15 893 358</u>	<u>-</u>

The municipality has entered into a loan agreement with the DBSA to fund electrification projects. According to the terms and conditions of the loan, interest will be calculated on the amount of loan outstanding on the basis of the actual number of days elapsed and a 365 day year. The interest amount is included on finance cost.

Note 12 FINANCE LEASE LIABILITY

2014	Minimum lease payment R	Future finance charges R	Present value of minimum Lease payments R
Amounts payable under finance leases			
Within one year	1 116 810	95 110	1 021 700
Within two to five years	<u>132 295</u>	<u>2 689</u>	<u>129 606</u>
	1 249 106	97 799	1 151 306
Less: Amount due for settlement within 12 months (current portion)			<u>1 021 700</u>
			129 606

The average lease term for the two old multipurpose machines is 5 years and the average effective borrowing rate prime plus 5% on all amounts overdue in terms of this agreement, calculated on a daily basis from the due date of payment until the actual date of payment. Some leases have fixed repayment terms . Obligations under finance leases are secured by the lessor's title to the leased asset.

23 new machines were purchased on finance lease and the lease term for these machines is 3 years. The average interest rates is at 1.33846% p.a on all outstanding balance. The assets will be transferred to the municipality at the end of the lease term.The average interest rates have changed to 1.38018% due to changes in prime rates.

2013	Minimum lease payment R	Future finance charges R	Present value of minimum Lease payments R
Amounts payable under finance leases			
Within one year	1 524 104	275 565	1 248 539
Within two to five years	<u>1 246 906</u>	<u>96 669</u>	<u>1 150 237</u>
	2 771 010	372 233	2 398 777
Less: Amount due for settlement within 12 months (current portion)			<u>1 248 539</u>
			1 150 237

Note 13 Unspent conditional grants and receipts **2014** **2013**

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts

MIG	52 684 330	-
NDPG	-	50 802 647
Electricity Demand side management grant	-	5 442 756
Disaster Management grant	-	20 000 000
	52 684 330	76 245 403

See note 21 for reconciliation of grants and receipts from National/Provincial Government.

Note 14 Provisions **2014** **2013**

Current provisions

Provision for Performance bonus	329 754	442 207
Total Provisions	329 754	442 207

Performance bonuses are paid one year in arrears. The assessment of

The movement in current provisions are reconciled as follows: -

	Provision for	
	Performance bonus	
Balance at the beginning of year	442 207	442 207
Contributions to provision	(112 453)	0
Total Provision	329 754	442 207

Long term provision

Provision for long service award	8 556 693	7 246 646
Provision for long term leave	8 308 765	7 754 421
	16 865 458	15 001 067

The movement in long term provisions are reconciled as follows: -

	Provision for long	Provision for long
	service award	term leave
Balance at the beginning of year	7 246 646	7 754 421
Contributions/reversal to provision	1 310 047	554 343
Total provisions	8 556 693	8 308 765

Trade and other payables from exchange Note 15 transactions	2014	2013
Trade payables	4 163 760	10 949 972
Accrued Expense	13 125 565	7 827 709
Sundry Creditors	507 506	171 699
Retention creditors	28 871 171	22 368 385
Income received in advance	3 844 025	4 765 825
Staff leave accrual	701 678	738 776
Stale Cheques	-	8 796
Unidentified Deposits	730 742	1 845 145
Sundry Creditors Bonus	3 684 479	3 079 225
	55 628 926	51 755 529

Note 16 Rental deposits

Rental of facilities	85 267	34 546
Rental Deposits are as a result of refundable deposit that consumers pay for rental of facilities.		

Note 17 Revenue	2014	2013
Property rates	35 148 268	35 024 960
Service charges	43 502 195	35 494 742
Rental of facilities & equipment	548 263	504 306
Interest received – trading	14 213 784	10 928 254
Fines	13 144 284	3 862 686
Licences and permits	12 508 904	11 773 953
Government grants & subsidies	498 407 073	414 254 437
Proceeds from sale of assets	-	3 173 587
	617 472 771	515 016 927

The amount included in revenue arising from exchanges of goods or services are as follows:

Service charges	43 502 195	35 494 742
Rental of facilities & equipment	548 263	504 306
Interest received – trading	14 213 784	10 928 254
Licences and permits	12 508 904	11 773 953
Proceeds from sale of assets	-	3 173 587
	70 773 145	61 874 843

The amount included in revenue arising from non-exchange transactions is as follows:

Taxation revenue		
Property rates	35 148 268	35 024 960
Fines	13 144 284	3 862 686
Transfer revenue	498 407 073	414 254 437
	546 699 625	453 142 084

Note 18 Property rates

Actual

	2014	2013
Residential	9 249 355	8 564 508
Business	11 409 332	12 133 884
State	14 214 473	14 326 568
	35 148 268	35 024 960

Valuations

Residential	21 448 743 060	21 427 782 660
Commercial	11 552 023 200	11 401 399 200
State	1 127 378 500	1 173 709 500
Municipal	4 250 944 800	4 246 780 800
	38 379 089 560	38 249 672 160

Valuations on land and buildings are performed every four years. The last general valuation came into effect on 1 July 2009. Supplementary valuations are processed on an annual basis to take into account changes in individual property values due to alterations.

Municipal rates on the tariff listing is applied to property valuations to determine assessment rates. Rates are levied on an annual basis on property owners.

Note 19 Service charges

	2014	2013
General Services	1 276 964	1 128 482
Refuse removal	13 911 168	34 366 260
Development Funds : Residential	28 314 062	-
	43 502 195	35 494 742

Note 20 Government grants and subsidies

	2014	2013
Equitable share	290 472 000	260 695 000
Finance Management Grant	1 550 000	1 500 000
MSIG	890 000	800 000
Neighbourhood Development Grant	25 018 647	41 362 453
Municipal Infrastructure Grant	103 298 670	55 328 740
Electricity Grant	50 000 000	50 557 244
EPWP INTEGRATED GRANT	1 735 000	4 011 000
Energy Efficiency Grant	5 442 756	-
Disaster Relief Grant	20 000 000	-
	498 407 073	414 254 437

20.1 Equitable Share

The grant is an unconditional grant and is partially utilized for the provision of indigent support through free basic services. Registered indigents receive a rebate of R840 which is funded from the grant.

20.2 Municipal Infrastructure Grant

	2014	2013
Balance unspent at beginning of year	-	(19 026 260)
Current-year receipts	155 983 000	74 355 000
Conditions met - transferred to revenue	(103 298 670)	(55 328 740)
	52 684 330	-

This grant was used to construct basic municipal infrastructure to provide basic services for the benefit of household.

20.3 Neighbourhood Development Grant

	2014	2013
Balance unspent at beginning of year	50 802 647	52 218 046
Current-year receipts	25 000 000	40 000 000
Conditions met - transferred to revenue	(25 018 647)	(41 362 453)
Transferred back to Treasury	(50 784 000)	(52 946)
Unspent amount at year end	-0	50 802 647

20.4 EPWP grant	2014	2013
Balance unspent at beginning of year	-	2 633 000
Current-year receipts	1 735 000	1 378 000
Conditions met - transferred to revenue	(1 735 000)	(4 011 000)
Unspent amount at year end	-	-

20.5 Municipal Systems Improvement Grant	2014	2013
Balance unspent at beginning of year	-	-
Current-year receipts	890 000	800 000
Conditions met - transferred to revenue	(890 000)	800 000
	-	-

This grant was used to build in house capacity to perform the functions and stabilize institutional and governance systems .

20.6 Integrated National Electrification Grant (INEG)		
Balance unspent at beginning of year	-	-
Current-year receipts	50 000 000	50 000 000
Conditions met - transferred to revenue	(50 000 000)	(50 000 000)
	-	-

The grant was used to address the electrification back-log of permanantly occupied residents. The conditions of the grant were met.

20.7 Finance Management Grant	2014	2013
Balance unspent at beginning of year	-	-
Current-year receipts	1 550 000	1 500 000
Conditions met - transferred to revenue	(1 550 000)	(1 500 000)
	-	-

This grant was used to promote and support reforms to municipal financial management and the implementation of the MFMA, 2003 .

20.8 Enegy Efficiency Demand side Management Grant	2014	2013
Balance unspent at beginning of year	5 442 756	-
Current-year receipts	-	6 000 000
Conditions met - transferred to revenue	(5 442 756)	(557 244)
Unspent amount at year end	-	5 442 756

20.9 Disaster Relief Grant	2014	2013
Balance unspent at beginning of year	20 000 000	-
Current-year receipts	-	20 000 000
Conditions met - transferred to revenue	(20 000 000)	-
Unspent amount at year end	-	20 000 000

Note 21 Other revenue	2014	2013
Sundry Revenue	12 338 400	6 446 865
Building plan fees	257 178	339 035
Refund skills development levy	385 134	774 664
Sale of sites	4 941 158	8 597 681
Sale of assets	225 992	3 173 587
	18 147 862	19 331 833

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Note 22 General expenses	2014	2013
Advertising	1 195 751	665 155
ARTS AND CULTURE	24 923	-
ASSET WRITTEN OFF	-	-
Audit Committee	172 952	-
Audit Fees External	1 543 932	1 987 677
Audit Fees Internal	-	627
Bank Charges	378 613	416 721
Books and Publications	-	55 573
Cellular Phone Expenses	1 598 128	885 721
Cleaning Material	1 561 182	1 227 765
Conference Expenditure	2 461 839	2 697 433
COST OF SITE SOLD	575 792	527 998
dermacation of sites	-	151 525
disability development plan pr	70 150	17 450
Disaster Relief	688 084	695 221
Electric- Development of Sites	4 960 409	1 645 480
Electricity - Departmental	-	5 603 331
ELECTRICITY PROJECTS	30 454 144	78 189 454
Employee Wellness Programme	190 061	50 900
ENERGY EFFICIENCY AND DEMAND	4 826 584	488 811
Entertainment	8 586	12 391
environmental campaign	798 521	332 235
establishment of safety commit	7 300	3 000
Establishment WMC	-	1 000
Fuel & Oil	6 316 523	5 032 010
Indigent Subsidy	17 012 762	11 439 729
Insurance Excess	82 876	35 985
Insurance General	1 334 899	320 456
LANDFILL	2 923 025	1 710 526
Legal costs	6 039 235	5 939 960
Licence & Registration (Provi	34 874	393 628
Library	-	310 000
Licences & Registration	331 368	-
Local Economic Development	146 181	723 783
mapungubwe and sports events	28 700	10 545
Mayor bursary scheme	349 764	158 355
Membership Fee	1 520 347	1 347 199
PMS	-	252 594
PMU	73 844	73 303
Operating Lease	189 688	-
policies and by-laws	297 741	-
Protective Clothing	462 329	-
Public part mayors off ward c	3 967 192	2 403 270
Printing & Stationary	1 336 509	1 422 999
public participation	16 149	4 435 441
Publicity	327 239	358 433
Refreshment	53 608	40 000
REGRAVELING OF STREETS	1 874 397	4 497 154
Relocated Houses	218 759	-
Rental of Equipment	507 601	1 053 652
Revenue forgone	275 108	-
Sports Development	207 289	-
STADIA MARKERS	27 800	-
STRATEGIC SESSION	223 437	21 798
Subsistance and Travel	3 059 897	3 479 474
Survey Cost	2 096	1 660
TECHNICAL ASSISSTANCE	421 469	2 350 816
Telephone Expenses	1 980 745	1 988 284
TOWNSHIP ESTABLISHMENT AND SUB	1 256 199	368 248
Traffic Miscellaneous	70 274	40 306
traffic uniform	-	633 497
Training	1 063 717	3 134 282
Valuation Cost	5 833 333	833 333
Vhembe writeoff	-	50 398 246
WATER PROJECTS	2 266 714	4 604 246
welfare development plan progr	76 075	26 625
women development plan program	2 400	41 921
YOUTH DEVELOPMENT PLAN	119 125	115 900
113 848 238.17	205 653 125.50	

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Note 23 Employee related costs	2014	2013
Salaries	112 461 822	92 959 050
Bonus	8 678 098	7 012 295
Medical aid - company contributions	3 805 509	2 824 251
Unemployment Insurance Fund	936 132	757 830
WCA	982 677	1 818 276
Skills Development Levy	1 314 412	1 080 173
Pension Fund Contribution	23 260 645	19 630 252
Travelling Allowance	10 037 747	8 679 380
Overtime	1 956 104	1 603 409
Long-service	1 731 858	956 919
Acting allowances	132 530	210 388
Industrial Council Levies	47 941	37 884
Housing Subsidy	273 637	286 991
Leave Bonus	635 689	1 026 838
Uniforms	-	-
Casual Labour	6 465 927	4 343 296
	172 720 726	143 227 232

Remuneration of municipal manager

Annual Remuneration	732 787	819 341
Car Allowance	264 385	248 059
Contributions to UIF, Medical and Pension Funds	172 505	163 301
Bonus	61 376	57 161
	1 231 052	1 287 862

Chief Financial Officer

Annual Remuneration	659 508	650 470
Car Allowance	216 454	199 092
Bonuses	54 959	51 445
Contributions to UIF, Medical and Pension Funds	176 778	170 308
	1 107 699	1 071 314

Corporate and human resources (corporate services)

Annual Remuneration	659 508	618 878
Car Allowance	237 761	223 075
Bonuses	55 238	51 445
Contributions to UIF, Medical and Pension Funds	156 436	145 963
	1 108 943	1 039 361

Senior Manager: Technical Manager

Annual Remuneration	737 508	780 836
Car Allowance	159 761	145 075
Bonuses	55 238	51 445
Contributions to UIF, Medical and Pension Funds	155 587	146 959
	1 108 094	1 124 314

Senior Manager: Planning and Development

Annual Remuneration	659 508	695 083
Car Allowance	237 761	223 075
Bonuses	54 959	51 445
Contributions to UIF, Medical and Pension Funds	155 429	146 725
	1 107 656	1 116 327

Senior manager: Housing and Electricity

Annual Remuneration	659 508	702 597
Car Allowance	195 069	169 834
Bonuses	54 959	51 445
Contributions to UIF, Medical and Pension Funds	198 206	179 750
	1 107 742	1 103 626

Senior manager: Community services

Annual Remuneration	549 590	624 878
Car Allowance	176 207	149 759
Bonuses	45 799	39 565
Contributions to UIF, Medical and Pension Funds	153 245	130 856
	924 842	945 058

Note 24 Remuneration of councillors

	2014	2013
Mayor	727 721	689 662
Pension Fund	1 987 829	1 889 262
Cellphone Allowances	1 603 358	979 403
Speaker	586 779	559 300
Councillors	13 697 341	13 033 552
Chief whip	551 415	521 711
Medical aid	17 292.00	17666.67
Travelling Allowance	2 834 860	2 575 907
Skills Development Levy	157 130	145 236
	22 163 725	20 411 699

In-kind benefits

The Mayor, Speaker and Chief whip are full-time. Each is provided with an office.
The Mayor has use of a Council owned vehicle and driver for official duties.

Disclosure in terms of the MFMA, 2003, Section 124 (1) (a).

Note 25 Investment revenue

Interest revenue		
Bank	15 662 844	10 443 610
Trade and other receivables	14 213 784	10 928 254
	29 876 628	21 371 863

The investment income above arise from from non-exchange transactions

Note 26 Depreciation and amortisation

Property, plant and equipment	68 542 911.79	49 324 257
Intangible assets	-	288 518
	68 542 912	49 612 775

Note 27 Finance costs

Current borrowings	1 068 921	1 318 405
Finance leases	278 199	398 845
Bank Overdraft	-	402
Other	10 136	25 199
	1 357 257	1 742 851

Note 28 Rental of facilities and equipment

Facilities and equipment		
Rental of facilities	548 263	504 306

Note 29 Contracted services

Professional Fees Total	3 110 945	3 309 922
Security Services	875 586	325 468
	3 986 531	3 635 391

Note 30 Cash generated from operations

Surplus	165 504 860	25 345 578
Adjustments for:		
Depreciation and amortisation	68 542 912	49 612 775
Movements in provisions	1 751 938	1 284 790

Changes in working capital:

Inventories	6 580 678	(43 735 868)
Consumer Debtors	(6 918 150)	(6 771 603)
Other receivables	(1 692 994)	74 958 867
Consumer debtors impairment		
Trade and other payables	3 873 397	3 064 920
Unspent conditional grants and receipts	(23 561 073)	21 394 357
Consumer deposits	50 721	14 109
	214 132 288	125 167 926

Note 31 Commitments

	2014	2013
Authorised capital expenditure		
31.1 - Approved and contracted for		
Community Assets	37 550 420	35 340 294
Infrastructure	174 862 228	132 992 175
Other	11 912 369	16 474 833
	224 325 018	184 807 302
The expenditure will be financed from:		
MIG	87 139 295	74 334 604
NDPG	51 107 287	57 830 189
INEP	9 513 725	3 939 853.1
OWN	75 910 678	25 748 362
DRG		17 543 660
FMG	512 000	-
EEG	142 033	5 410 434
	224 325 018	184 807 302
31.2 - Approved but not yet contracted for	-	-

Note 32 Contingent Liabilities

32.1 Legal cases

	2014	2013
Mr Matodzi Israel is suing the Municipality for damages	5 914 000	5 914 000
Netshifhehe N.M has been sued the municipality for damages caused during electrification project	750 000	750 000
Netshivhumbe M is suing the municipality for damages caused during electrification project	750 000	750 000
MACP Construction is suing the Municipality for a specific performance	659 868	659 868
Mathilda Mhlari Fikile is suing the municipality for damages arising out of unlawful arrest	350 000	350 000
Ntsundeni Azifarwi is suing the municipality for damages arising out of injuries sustained by falling in a hole	120 000	120 000
The Municipal Employees pension funds is suing the Municipality for R 27 790 077 for pension contribution to MEPPF. An amount of R 21 456 048 has already been settled by payment from SANLAM to MEPPF.	6 334 029	10 141 453
Mpho Netshifhehe is suing the municipality for damages in the amount of R 25 000.00. The matter is at a pleading stage.	25 000	25 000
Maphugwi Edward Ravhanyaho is suing the Municipality for damages in the amount of R 75 000.00 . The matter is at pleading stage	75 000	75 000
Moses Malada is suing the Municipality for R 100 000.00 for defamation. The pleadings have been closed	100 000	100 000
Mudau V.M sued the Municipality for unlawful detention in the amount of R175 000.00. The Municipality filed notice of intention to defend , prepared a plea and filed it. Awaiting for trial date	175 000	175 000
Telkom issued combined summons for damages in the amount of R164 812.37. We defended the matter by filing a notice to defend an later filed a pea. The plaintiff applied for trial date but later served a notice of removal from the roll.	164 812	164 812
Manzere N.D issued combined summons for damages in an amount of R600 000.00 for unlawful arrest. All the pleadings have been filed and we are waiting for the plaintiff to apply for trial date.	600 000	600 000

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First Professional Care issued combined summons in the amount of R20 000 for damages not being appointed for security tender. The municipality has filed a plea. We are awaiting for plaintiff to reply to our plea.	20 000 000	20 000 000
Telkom issued a combined summons in the amount of R13 553.48 for damages of cables. We filed notice of intention to defend . Waiting for for Plaintiff to reply to our plea.	13 553	13 553
2014		2013
Makhanani violet Mathye sued the municipality for damages.	600 000	
Khamax Trading Enterprice (PTY) LTD sued the Municipality for the cancellation of the agreement to host a festival at Tshifulanani stadium on the 15th day of December 2012. The matter is at pleading stage.	2 075 000	2 075 000
The plaintiff is suing the Municipality for failing to keep a proper control of a dangerous object in a public place. The plaintiff is suing the Municipality in the sum of R 300 000. The case has been referred to Our Attorney to issue notice of intention to defend.	300 000	
32.2 Wage Curve	39 008 277	41 915 700
On the 21st of April 2010 the wage curve agreement was signed between SALGA , IMATU and SAMWU which was supposed to be implemented effective from the 1st of October 2009. There might be a liability for the Municipality as a result of this wage curve agreement for the nine month back pay that might arise when the job evaluation results are published. Thulamela Municipality job evaluation results are not yet published.The estimated contingent liability is as follows:		
Contingent liability	495 346	495 346

Note 33 Risk management

Liquidity risk

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

2014	Not later than one month	Later than one month and not later than three month	Later than three month and not later than one year	Later than one year and not later than 5 years	Total
Gross Finance lease obligation	112 674	229 777	679 249	129 606	1 151 306
Trade and other payables	26 757 756				26 757 756
Retention Creditors	-	4 473 240	19 440 473	4 924 526	28 838 239
Loan	45 000 000			15 893 358	60 893 358
	71 870 430	4 703 016	20 119 722	20 947 490	117 640 658

Trade and other payables exclude retention creditors.

2013	Not later than one month	Later than one month and not later than three month	Later than three month and not later than one year	Later than one year and not later than 5 years	Total
Gross Finance lease obligation	127 009	254 017	1 143 078	1 246 906	2 771 010
Trade and other payables	29 420 077				29 420 077
Retention Creditors		1 464 245	17 254 623	3 616 585	22 335 453
Loan	49 188 446				49 188 446
	78 735 531	1 718 262	18 397 701	4 863 491	103 714 985

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents, and trade debtors.
The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Financial assets exposed to credit risk
at year end were as follows:

Financial instrument	2014	2013
Money Market Investment	1 164 640	1 123 475
FNB Current account	(14 842 078)	19 247 752
FNB Call Account	267 341 540	271 921 691
Investments	102 554 832	0
Long term debtors	648 541	1 206 519
Trade and other receivables	24 537 196	20 149 001
	381 404 672	313 648 437

Interest rates risk

As the municipality has no significant interest bearing assets, the municipality's income and operating cashflows are substantially independent of changes in market interest rates.

At year end, the financial instruments exposed to interest rate risk were as follows:

Call deposits	267 341 540	271 921 691
Investments	102 554 832	-
Money Markets	1 164 640	1 123 475
Borrowings	60 893 358	49 188 446
	371 061 013	273 045 166

Note 34 Fruitless and wasteful expenditure

	2014	2013
Opening	2 491 241	2 045 943
Current year fruitless & wasteful expenditure	13 144	445 298
Recovered	(3 007)	0
	2 501 378	2 491 241

The current year fruitless expenditure is composed of and amount R 3225.65 incurred from Telkom, R 8303.91 from Eskom and R 1614.21 incurred from post office. These expenditures has been reported to council, Provincial treasury, Office of the Auditor general and Coghsta.

Note 35 Irregular expenditure

Opening balance	60 001 624	59 151 861
Current year irregular	-	849 763
Transferred to receivables	-	-
Irregular expenditure awaiting condonement	60 001 624	60 001 624

Note 36 Employee benefit obligations

Defined contribution plan

It is the policy of the municipality to provide retirement benefits to all its employees. A number of defined contribution funds were used in the current financial year.

The municipality is under no obligation to cover any unfunded benefits. The total municipal contribution to such schemes are as listed below

Municipal Graduity Fund	4 850 381	3 980 340
Momentum provident Funds	9 639 334	8 125 272
National Fund for Municipal workers	3 100 858	2 225 790
Municipal Employees pension fund	5 673 411	5 672 313
Municipal Councillors pension fund	2 004 180	2 069 711
Total Contribution	25 268 163	22 073 426

Note 37 Prior period errors	2014	2013
37.1 During the year ended 30 June 2014 it was discovered that creditors for 30 June 2013 were understated by an amount of R 178 698,83. The comparative figures has been restated and the effect of the change is as follows:		
General Expenses		<u>178 699</u>
Net effect on surplus or (deficit) for the year		<u>178 699</u>
Creditors		<u>(178 699)</u>
Net effect on statement of financial position		<u>(178 699)</u>
37.2 During the year ended 30 June 2014 it was discovered that creditors for 30 June 2013 were overstated by an amount of R 39 635. The comparative figures has been restated and the effect of the change is as follows:		
General Expenses		<u>(39 635)</u>
Net effect on surplus or (deficit) for the year		<u>(39 635)</u>
Creditors		<u>17 690</u>
VAT		<u>21 945</u>
Net effect on statement of financial position		<u>39 635</u>
Net effect on statement of Net assets		<u>(0)</u>
37.3 During the financial year ended 30 June 2014 it was discovered that VAT receivables for 30 June 2013 were overstated. Comparative figures has been restated and the effect of the change is as follows:		
General expenses		<u>2 403 270</u>
Net effect on surplus or (deficit) for the year		<u>2 403 270</u>
VAT		<u>(2 403 270)</u>
Net effect on statement of financial position		<u>(2 403 270)</u>
37.4 During the financial year ended 30 June 2014 it was discovered that Other receivables for 30 June 2013 were understated and General Employee related costs were overstated. Comparative figures has been restated and the effect of the change is as follows:		
Salaries, wages and allowances		<u>(10 388)</u>
Net effect on surplus/deficit for the year.		<u>(10 388)</u>
Other receivables		<u>10 388</u>
Net effect on statement of financial position		<u>10 388</u>

37.5 During the financial year ended 30 June 2014 it was discovered that Provision for bad debts for 30 June 2013 were understated. Comparative figures has been restated and the effect of the change is as follows:

Provision for bad debts(I/S)	8 606 338
Net effect on surplus/deficit for the year.	8 606 338
Provision for bad debts(B/S)	(8 606 338)
Net effect on statement of financial position	(8 606 338)

37.6 During the financial year ended 30 June 2014 it was discovered that Income received inadvance and Consumer debtors for 30 June 2013 were understated. Comparative figures has been restated and the effect of the change is as follows:

Consumer debtors	259 568,72
Income received inadvance	(259 568,72)
Net effect on statement of financial position	-

37.7 During asset verification process for the financial year ended 30 June 2014 it was discovered that there were asset that were not included on the asset register. Comparative figures has been restated and the effect of the change is as follows:

PPE Cost	769 010,21
PPE Accumulated depreciation	(50 481,92)
Net effect on statement of financial position	718 528
Net effect on statement of Net Assets	(718 528)

37.8 During the prior year Audit it was discovered that Land and inventory were mistated. Comparative figures has been restated and the effect of the change is as follows:

Land	(146 116 500)
Inventory	17 114 340
Net effect on statement of financial position	(129 002 160)
Net effect on statement of Net Assets	129 002 160

37.9 During the year it was discovered that Site Inventory were incorrectly included on PPE. Comparative figures has been restated and the effect of the change is as follows:

Land	(22 060 000)
Inventory	22 060 000
Net effect on statement of financial position	-

37.10 During the year it was discovered that the impairment on the infrastructure were overstated. Comparative figures has been restated and the effect of the change is as follows:

Depreciation and Impairment	(1 759 901)
Net effect on statement of financial performance	(1 759 901)
Accumulated Depreciation	1 759 901
Net effect on statement of financial position	1 759 901

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37.11 During the year ended 30 June 2014 the Municipality unbundled all community assets in terms of GRAP 17. The revision of the asset included in the asset register and the valuation of all assets as at July 2009 was performed in the current year. The assets are carried at cost less accumulated depreciation and the difference in asset value will be charged to the accumulated surplus. Comparative figures has been restated and the effect of the change is as follows:

Depreciation and Impairment	8 469 308			
General expenses	26 713			
Net effect on statement of financial performance	8 496 021			
Accumulated Depreciation	(22 295 333)	13 826 024.94	37 772 731.65	23946706.71
Cost	156 517 909	8 469 308.19	12 199 939.11	3730630.92
Retention	(32 932)	22 295 333.13	49 972 670.76	27677337.63
VAT	60 894		36 650 419	
Net effect on statement of financial position	134 250 539			
Net effect on statement of Nets Assets	(142 746 560)			

37.12 During the year ended 30 June 2014, the municipality implemented GRAP 23 and IGRAP 1 on Traffic fines for the first time. Comparative figures has been restated and the effect of the change is as follows:

Traffic income revenue	(5 689 920)
Other income	(174 730)
Net effect on statement of financial performance	(5 864 650)
Traffic fine debtors	6 371 653
Net effect on statement of financial position	6 371 653
Net effect on statement of Nets Assets	(507 003)
Total Net effect on Accumulated Surplus	(14 969 931)
Total net effect on surplus / deficit for the year	12 009 753
Total Net effect on statement of financial position	2 960 177
	(0.94)

	2014	2013
Note 38 Additional disclosure in terms of Municipal Finance Management Act		
38.1 Contributions to organised local government		
Opening balance	(1 471 934)	(1 477 960)
Current year subscription / fee	1 471 934	1 477 960
Amount paid - current year	(1 645 357)	(1 471 934)
	<u>(1 645 357)</u>	<u>(1 471 934)</u>
An amount of R 1 645 357 has been included on pre-paid expenses		
38.2 Auditor's remuneration		
Opening balance	-	-
Current year fees	1 543 932	1 976 258
Amount paid - current year	(1 543 932)	(1 976 258)
Closing balance	<u>-</u>	<u>-</u>
38.3 PAYE and UIF		
Opening balance	-	-
Current year subscription / fee	19 494 729	21 240 342
Amount paid - current year	(19 494 729)	(21 240 342)
Closing balance	<u>-</u>	<u>-</u>
The amounts represent PAYE and UIF deducted from employees and company contribution on UIF.		
38.4 Pension and Medical Aid Deductions		
Opening balance	-	-
Current year subscription / fee	10 709 616	7 875 719
Amount paid - current year	(10 709 616)	(7 875 719)
Closing balance	<u>-</u>	<u>-</u>
The amount represent pension and medical aid contributions deducted from employees.		
VAT		
38.5		
VAT receivable	34 274 009	30 051 060
	<u>34 274 009</u>	<u>30 051 060</u>
Vat is paid over to SARS only once the payment		
All VAT returns for the year have been submitted		

38.6 Councillors' arrear consumer accounts

outstanding for more than 90 days at June 30,
2013:

2014	Outstanding less than 90 days	Outstanding more than 90 days	Total
	R	R	R
MUKHANINGA MUDZUNGA RICHARD	89	4	93
RAMULIFHO H B	90	44	134
MALADA PHINEUS	90	44	134
RAMMELA MULALO SLYVIA	90	44	134
RAMAGOMA RAMAAMBELE	90	44	134
NS MUSISINYANE NDITSHENI SAMUEL	90	44	134
SIGIDANE N.M.D	90	44	134
MABASA RIRHANDZU CONSTANCE	90	44	134
SAMEO T.M	90	44	134
MUNERI TSHILO	90	44	134
MATHEBULA TINYIKO SIMON	90	44	134
TSHIFHANGO AVHASHONI STEPHEN	90	44	134
THIFHULUFHELI AZWITAKADZI LISBET	90	44	134
MAGADA THILUFHELI SAMUEL	90	44	134
MAVIKANE SIMON XIHLAMARISO	92	136	227
MULAUDZI KHATHUTSHELO ERNEST	268	142	410
LIGARABA LIVHUWANI ETHEL	345	170	515
NGWANA REMBULUWANI EUNICE	100	575	675
CHAVANI PHAHLELA JOE	121	1669	1789
TWALA ZONDI AMELIA	359	4759	5118
	2539	8028	10568

30-Jun-13	Outstanding less than 90 days	Outstanding more than 90 days	Total
	R	R	R
Cllr Ramaano LP	86	103	189
Cllr Kwinda KG	87	174	261
Cllr Tshishonge	87	127	214
Cllr Thabela TP	89	262	351
Cllr Musisinyane NS	87	170	257
Cllr Marutha MD	128	45	173
	564	881	1 445

38.7 Supply chain management regulations

In terms of section 36 of the Municipal Supply Chain Management Regulations any deviation from the Supply Chain Management Policy needs to be approved by the Municipal Manager and noted by Council. The expenses incurred as listed hereunder have been approved by the Municipal Manager and noted by council.

	2014	2013
Incident		
Repairs and maintenance	4 186 534	3 181 547
Training	419 500	1 413 304
Accommodation	307 147	220 513
Disaster	84 272	213 215
Advertisement		71 786
Other	346 737	48 090
	5 344 190	5 148 454

Disclosure of losses through criminal

38.8 conduct

Mr Mathuba is charged with misconduct of theft, Gross dishonesty and prejudice while on duty intentionally stole municipal money which was supposed to have been deposited in to municipality account. The employee resigned and the amount has been recovered as follows:

Opening balance	-	-
New incident	-	7 252
Recovered	-	(7 252)
Closing Balance	-	-

Mr Manganye MR is charged with misconduct of theft, Gross dishonesty and prejudice while on duty intentionally stole municipal money which was supposed to have been deposited in to municipality account. The outstanding amount is included on other receivables and is being recovered

Opening balance	-	14 846
New incident	-	(14 846)
Recovered	-	
Closing Balance	-	-

There are no new losses through Criminal Conduct during 2013/2014 financial year.

Note 39 Comparison with the budget

The budget has been prepared on accrual basis,
and entered presthe information presented is for
the financial year ended 30 June 2014

39.1 Reconciliation of actual amounts on a comparable basis and actual amounts in the financial statements

	Actual	Classification	Comparable amount
Revenue			
Property rates	35 148 268	-	35 148 268
Service charges	43 502 195	-	43 502 195
Rental of facilities and equipment	548 263	-	548 263
Interest on outstanding debtors	14 213 784	-	14 213 784
Fines	13 144 284	(6 240 600)	6 903 684
Licences and permits	12 508 904	-	12 508 904
Government grants & subsidies	498 407 073	-	498 407 073
Other revenue	18 147 862	96 169 972	114 317 834
Interest received - investment	15 662 844	-	15 662 844
Total Revenue	651 283 478	89 929 372	741 212 849
Expenses			
Employee related cost	172 720 726	-	172 720 726
Remuneration of councillors	22 163 725	-	22 163 725
Depreciation and amortisation	68 542 912	-	68 542 912
Finance costs	1 357 257	-	1 357 257
Collection costs	5 726 490	-	5 726 490
Repairs and maintenance	21 516 011	-	21 516 011
Contracted services	3 986 531	-	3 986 531
Provision for Bad debts	71 646 143	-	71 646 143
General Expenses	113 848 238	-	113 848 238
	481 508 033	-	481 508 033
Surplus/ (Deficit) for the year	169 775 444	-	259 704 816

39.2 Explanation on material differences between final budget and actuals for the year ended 30 June 2014

39.2.1 Rental of facilities

The variance of 16 % was not collected due to
closure of Thohoyandou and Makwarela Hall
from February 2014, for maintenance purposes

39.2.2 Traffic fines

The variance is due to the cancellation and reduction
of traffic ticket.

39.2.3 Debt impairment

The methodology used for the assessment of
debt impairment was done per customer which
differs with the estimates used when compiling
the budget.

39.2.4 Depreciation & Impairment

39.2.5 Finance cost

The variance is due to the fact that the timing of
receiving the Loan was not as expected.

39.2.6 Contracted services

39.2.7 Other expenditure

The variance is as results of which the expenditure
was less than expected. Slow pace on
implementation of some of the electricity projects,
and valuation cost which we expected to spend R10
million but only spent R5 million.

Note 40 Related Parties

Management

Municipality has the following senior managers who may have significant influence over the financial or operating policies of the municipality

Names	Title
Mathivha MH	Municipal Manager
Madzhe MA	Chief Financial Officer
Muneri ME	Senior Manager: Technical Services
Maluleke HE	Senior Manager: Town Planning and Development
Dzihvani MR	Senior Manager: Housing and Electricity
Ngobeni TC	Senior Manager: Corporate Services
Ndou TS	Senior Manager Community services

Refer to note No: 23 for the disclosure of their remuneration

Note 40 Financial Instrument	2 014	2 013
Financial assets at amortised cost		
Consumer debtors	17 564 096	12 087 447
Other receivables	2 659 287	5 189 242
Vat receivable	34 274 009	30 051 060
Cash and cash equivalent	253 664 103	292 292 699
Long term receivables	648 541	1 206 519
	308 810 035	340 826 965
Financial liabilities at amortised cost		
Short- term loan	45 000 000	49 188 446
Trade and other payables	55 628 926	51 755 529
Consumer deposit	85 267	34 546
Finance lease liability	1 151 306	2 398 777
	101 865 499	103 377 298

Note 41 Events after balance sheet date

On the 17th July 2014, computers and network cables were stolen at Malamulele offices. The extent of the loss suffered by the municipality is as follows:

1. Property, Plant and Equipment

IT Equipment	Carrying amount at 30 June 2014
	2 285
	2 285

Case no. 113/07/2014 has been opened at Malamulele Police Station.

Note 42 Operating leases

At the reporting date the entity has outstanding commitment under operating leases which fall due as follows:

Operating leases: lessee

Within one year	189 688	-
In the second to fifth year	189 688	-
After five years	-	-
Total	379 377	-

Note 43 Traffic fine debtors

Traffic fine debtors	10 417 403	6 371 653
Provision for bad debts-Traffic fines	(9 163 653)	-
	1 253 750	6 371 653